

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW NIACT IMMEDIATE

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EXDIS

E.O. 11652: GDS

TAGS: ETRD, UR, US

SUBJECT: SOVIET GRAIN/OIL NEGOTIATIONS

FOR UNDER SECRETARY ROBINSON

1. FOLLOWING ARE NEW AUTHORITIES AND GUIDANCE IN RESPONSE TO REFTELS. THEY ARE BASED ON GUIDANCE FROM THE SECRETARY AND COORDINATION WITH SIMON, DUNLOP, SEIDMAN, GREENSPAN, CAMPBELL (USDA), OMB AND FEA.

2. KEY ISSUE AS SEEN FROM BACK HERE IS SOVIET REQUEST FOR A BALANCING ESCAPE CLAUSE. THERE IS NO REPEAT NO DISPOSITION TO WITHDRAW U.S. ESCAPE CLAUSE, AND THEREFORE ISSUE COMES DOWN TO FORMULATION OF OUR OWN ESCAPE CLAUSE IN THE WAY LEAST OFFENSIVE TO THE SOVIETS. OUR PREFERRED SOLUTION WOULD BE A U.S. SIDE LETTER (SUCH AS PATOLICHEV SUGGESTED TO YOU), PROVIDED THE SOVIET UNION ALSO GIVES YOU A SIDE LETTER ACKNOWLEDGING YOURS AND STATING THAT THE SOVIET UNION UNDERSTANDS THAT THE UNITED STATES WILL BE GUIDED BY THAT LETTER IN IMPLEMENTING THE AGREEMENT.

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UNDER THIS ALTERNATIVE, THE ENTIRE ARTICLE 5 WOULD BE

DELETED FROM THE AGREEMENT.

3. IF THIS OPTION FAILS, WE COULD ACCEPT RETENTION OF

ARTICLE 5 AS YOU NOW HAVE IT, BUT WITH A REVISED SOVIET
ESCAPE CLAUSE, WHICH WOULD READ AS FOLLOWS:

"A SERIOUS GRAIN SURPLUS IN THE USSR SHALL BE DEEMED TO
EXIST WHEN THE GOVERNMENT OF THE USSR AND THE U.S. HAVE
CONSULTED AND AGREED THAT THE USSR HAS ENJOYED THREE
CONSECUTIVE YEARS OF BUMPER CROPS YIELDING A SURPLUS OF
GRAIN OVER ITS REQUIREMENTS IN EACH YEAR PROVIDED THAT
THE CUMULATIVE SURPLUS EXCEEDS STORAGE CAPACITY IN THE
SOVIET UNION. WHENEVER, DURING THE TERM OF THIS
AGREEMENT, THE GOVERNMENTS OF THE USSR AND THE UNITED
STATES DETERMINE THAT THERE IS A SERIOUS GRAIN SURPLUS
IN THE USSR, THE GOVERNMENT OF THE USSR MAY REQUEST
THAT THE UNITED STATES REDUCE ITS SHIPMENT OF GRAIN
UNDER THIS AGREEMENT BELOW THE SIX MILLION TON LEVEL
SPECIFIED IN ARTICLE 1, BUT NOT IN GREATER PROPORTION
THAN THE PRODUCTION IN THE THREE CONSECUTIVE SURPLUS
YEARS UNDER THIS AGREEMENT EXCEEDS THE AVERAGE ANNUAL
USSR GRAIN PRODUCTION FOR THE THREE YEARS IMMEDIATELY
PRECEDING THE THREE SURPLUS YEARS THAT CREATED A SERIOUS
GRAIN SURPLUS IN THE USSR, AS AGREED BY THE TWO
GOVERNMENTS."

HOWEVER, THE STRONG PREFERENCE HERE IS TO AVOID ANY
SOVIET ESCAPE CLAUSE, HOWEVER TIGHTLY WORDED.

4. THE SECOND ISSUE OF CONCERN HERE REGARDS SOME
REFERENCE TO STOCK BUILDING. STRUCTURALLY, YOU HAVE
THREE OPTIONS: TO ATTEMPT TO NEGOTIATE SOME
LIMITATION IN INCREMENTAL SOVIET EXPORTS, TO INCLUDE
SOME STATEMENT OF INTENTION OF BUILDING STOCKS IN THE
PREAMBLE, OR TO REQUEST A SOVIET SIDE LETTER STATING
ITS INTENTION TO BUILD STOCKS. EPB MEMBERS BELIEVE
THAT ONE OF THE THREE IS ESSENTIAL FOR THE POLITICAL
VIABILITY OF THE AGREEMENT. THE SECRETARY FEELS LESS
STRONGLY ON THIS ISSUE. HE WOULD HAVE ANOTHER GO AT
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SOME FORM OF EXPORT LIMITATION, BUT NOT PRESS IT; HE
WOULD TRY TO GET A STATEMENT ON INTENTION ON GRAIN
STOCKS IN THE PREAMBLE, BUT COULD ACCEPT PREAMBULAR
LANGUAGE READING, "DESIRING THAT THESE ARRANGEMENTS
WILL ASSIST IN ENHANCING WORLD FOOD SECURITY".

5. RE THE INFORMATION EXCHANGE, YOU SHOULD MAKE AN
ADDITIONAL EFFORT TO OBTAIN SOME MENTION OF THIS.

EVEN IF NOT OPERATIONAL, ITS OMISSION WOULD RAISE QUESTIONS IN AN AGREEMENT DESIGNED TO MAKE SOVIET GRAIN PURCHASES MORE PREDICTABLE. THE SECRETARY REMARKS THAT HE WOULD NOT GO TO THE BARRICADE OVER THIS.

6. BOTH THE SECRETARY AND EPB MEMBERS FEEL THAT YOU SHOULD NOT ACCEPT "APPROXIMATELY EQUAL PROPORTIONS", BUT RATHER INSIST UPON "EQUAL PROPORTIONS" IN ARTICLE 1. THE POINT HERE IS THAT ANY ADDITIONAL DEGREE OF FREEDOM ON THE PART OF THE SOVIET UNION MAKES THE AGREEMENT LESS SALEABLE.

7. AS REGARDS THE LINK OF THE NEGOTIATIONS ON OIL, THERE IS UNIVERSAL RECOGNITION HERE THAT THE DISCOUNT ON THE QUANTITIES WE ARE DISCUSSING WOULD NOT BE A SIGNIFICANT ECONOMIC BENEFIT. HOWEVER, THERE IS STRONG FEELING THAT YOU SHOULD HANG TOUGH FOR A DISCOUNT EITHER IN PRICE OR IN TERMS. EPB WOULD LIKE YOU TO HOLD OUT FOR LANGUAGE INDICATING THAT PRICES AND TERMS WILL BE CLEARLY MORE ATTRACTIVE THAN THOSE AVAILABLE IN THE MARKET. AS A FALL-BACK, THE SECRETARY HAS APPROVED LANGUAGE WHICH READS AS FOLLOWS TO SUBSTITUTE FOR YOUR PARAGRAPH 6. "PRICES FOR CRUDE OIL AND PETROLEUM PRODUCTS WILL BE MUTUALLY AGREED AT LEVELS WHICH WILL ASSURE THE INTEREST OF THE UNITED STATES GOVERNMENT AND PRIVATE UNITED STATES COMPANIES IN PURCHASING THE PRESCRIBED QUANTITIES."

IN ADDITION, THE SECRETARY HAS INDICATED TO US THAT A TIME LIMIT FOR THE NEGOTIATION OF THE OIL DEAL OF NO MORE THAN 30 DAYS SHOULD BE WRITTEN INTO THE LETTER OF INTENT.

YOU SHOULD MAKE A CLEAR NEGOTIATING RECORD THAT THE LAN-
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GUAGE YOU AGREE TO, WHETHER THAT AUTHORIZED BY THE SECRETARY AS ABOVE OR MORE FAR REACHING LANGUAGE, HAS THE MEANING OF PRICES AND TERMS MORE ATTRACTIVE THAN THOSE AVAILABLE ON THE INTERNATIONAL MARKET.

IN THE VIEW OF THE SECRETARY AND THE EPB, YOU SHOULD BE PREPARED TO WAIT OUT THE SOVIETS ON THE OIL LINK. THIS MAY REQUIRE YOUR STAYING IN MOSCOW BEYOND MONDAY EVENING, AS INDICATED IN YOUR MOSCOW 14166.

8. SEPTTEL FOLLOWS ON MARITIME SIDE LETTER. KISSINGER

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NNN

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